

**THE OFFICE OF REGULATORY STAFF
DIRECT TESTIMONY AND EXHIBITS
OF
DAWN M. HIPPI**

RECEIVED
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SC PUBLIC SERVICE
COMMISSION



**DOCKET NO. 2004-357-W/S
APPLICATION OF
CAROLINA WATER SERVICE, INC.
FOR ADJUSTMENT OF
RATES AND CHARGES**

TESTIMONY OF DAWN M. HIPPI**FOR****THE OFFICE OF REGULATORY STAFF****DOCKET NO. 2004-357-WS****IN RE: CAROLINA WATER SERVICE, INC.**

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Dawn M. Hipp. My business address is 1441 Main Street, Suite 300, Columbia, South Carolina 29201. I am employed by the state of South Carolina as a Program Specialist in the Water/Wastewater Department for the Office of Regulatory Staff ("ORS").

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I am a 1992 graduate of Moorhead State University where I earned a B.S. in Political Science.

I have over eight years of experience in hazardous waste regulation. From 1996 to 1999, I worked for Laidlaw Environment Services in Saukville, Wisconsin, as an accounts receivable supervisor and then as a facility accounting supervisor for Laidlaw's Government Services Division. In this role, I facilitated electronic

1 commerce including EDI transfer of order and EFT payments with customers. I
2 also developed, implemented, and enhanced government billing and waste
3 tracking systems. From 1999-2003, I worked for Safety-Kleen Corporation and
4 Clean Harbors Environmental Services, Inc. in Columbia, SC as an operations
5 manager in the Government Services Division. In this role, I managed the
6 financial, operations and all regulatory aspects of field offices nationwide serving
7 Department of Defense hazardous waste removal contracts. I was accountable for
8 the viability of 14 government contracts yielding \$12 million in revenue annually.
9 In September 2004, I joined ORS as the Program Specialist for Water and
10 Wastewater Department. I am a member of the American Water Works
11 Association ("AWWA") and the South Carolina Section of the American Water
12 Works Association ("SC-AWWA").

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
14 **PROCEEDING?**

15 A. The purpose of my testimony is to set forth the ORS staff findings relative to
16 Carolina Water Service, Inc. ("CWS") compliance with the Public Service
17 Commission ("PSC") rules and regulations, test-year revenue adjustments, and
18 financial assurance requirements.

19 **Q. ARE THE FINDINGS OF YOUR REVIEW CONTAINED IN THIS**
20 **TESTIMONY AND ACCOMPANYING EXHIBITS?**

21 A. Yes, my testimony and the attached exhibits detail my findings and
22 recommendations.

1 **Q. PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR**
2 **TESTIMONY AND EXHIBITS.**

3 A. I used ORS audit results and information provided by CWS in its Application and
4 Data Request responses. I also reviewed CWS's financial statements and
5 performance bond documents submitted to the Public Service Commission.

6 **Q. PLEASE PROVIDE AN OVERVIEW OF THE LOCATIONS, SERVICE**
7 **TYPES AND CUSTOMER BASE SERVICED BY CWS.**

8 A. CWS is a public utility providing water supply service and wastewater
9 collection/treatment services. As a subsidiary of Utilities, Inc., CWS is one of
10 four National Association of Regulatory Utility Commissioners ("NARUC")
11 Class A water/wastewater utilities in South Carolina. CWS's service area
12 includes portions of Aiken, Beaufort, Charleston, Dorchester, Georgetown,
13 Lexington, Orangeburg, Richland, Sumter, Williamsburg and York counties.
14 According to CWS's customer records for the test year ending June 30, 2004,
15 water services, including distribution, were provided to 5,653 residential and 170
16 commercial customers. Of these customers, 2,774 were provided water
17 distribution service. Likewise, wastewater collection and/or treatment services
18 were provided to 9,729 residential and 181 commercial customers including one
19 wholesale customer, Midlands Utility, Inc. Wastewater collection services were
20 provided to 2,213 of these customers. Exhibit DMH-1 provides a brief customer
21 overview of CWS customers by service type and location.
22
23

1 **Q. PLEASE EXPLAIN EXHIBIT DMH-2 OF YOUR REPORT.**

2 A. Exhibit DMH-2, pages 1 through 3, provides a summary of the services provided
3 by CWS based on the Business Office Compliance Review completed by ORS.
4 The Business Office Compliance Review consists of a review of CWS's office
5 records to determine compliance with Commission rules and regulations.

6 I discussed the preliminary results of the Business Office Compliance Review
7 with Mr. Steven Lubertozzi on March 16, 2005. As expected of a Class A utility,
8 CWS utilizes a customized computer database to capture all customer account
9 transactions. The system tracks all customer complaints received by the
10 Northbrook, IL, office and the West Columbia, SC, office. Each complaint is
11 reflected in the specific customer account as a service order and complaint
12 resolution data is clearly provided by date. CWS's customer bill, disconnect
13 notices, payment plans and deposit receipts contain all required information and
14 are issued to customers in a timely manner. Invoice adjustments, deposit refunds,
15 late payment penalties and reconnections are automated, accurate and timely.
16 Overall, CWS business systems are well-suited to ensure compliance with the
17 administrative aspects of 26 S.C. Code Regs. 103 Articles 5 and 7.

18 However, the Business Office Compliance Review revealed the following
19 deficiencies:

- 20 1. CWS has failed to file, with the PSC or ORS, notices of violation of
21 Department of Health and Environmental Control ("DHEC") rules as required
22 pursuant to 26 S.C. Code Regs. 103-514 and 103-714.

2. The bond amount is insufficient pursuant to 26 S.C. Code Regs. 103-512.3.1 and 103-712.3.1.

Q. PLEASE EXPLAIN EXHIBIT DMH-3 OF YOUR REPORT.

A. Exhibit DMH-3 provides an overview of CWS's bonding structure. The purpose of a utility's performance bond is to provide sufficient financial assurance to both the customer and the Commission in the event that the utility fails to provide safe and adequate service. The performance bond amount should be of a level to support expenses of that utility for a period of time. Pursuant to 26 S.C. Code Regs. 103-512.3.1 and 103-712.3.1, "the amount of bond shall be based on, but not limited to, the total amount of the following categories of expenses for twelve months: Operation and Maintenance Expenses, General and Administrative Expenses, Taxes Other Than Income Taxes, Income Taxes, and Debt Service including Interest Expenses." The bond amount is also set forth in S.C. Code Ann. Section 58-5-720 (Supp. 2004). The Commission's statutes and regulations state bond amounts must range from an amount not less than \$100,000 and not more than \$350,000.

CWS has a current performance bond for utility operations in the form of an Irrevocable Letter of Credit ("ILC") from Bank of America on file with the PSC in the amount of \$50,000 (Exhibit DMH-4). The ILC was filed with the PSC on December 28, 2004 and contains an expiration date of December 31, 2005.

Upon reviewing the expenses from the test year and using the criteria set forth in 26 S.C. Code Regs. 103-512.3.1 and 103-712.3.1, I determined that the face amount of CWS's bond based on the expenses from the test year should be

1 \$350,000.00 for water operations and \$350,000.00 for wastewater operations
2 (Exhibit DMH-3). CWS's adjusted bonding criteria expenses for the test year
3 were \$1,448,879.00 for water operations and \$3,971,433.00 for wastewater
4 operations. Combined bonding criteria expenses totaled \$5,420,312.00 for the
5 test year ending 06/30/04. It is in the public interest to increase the bond
6 requirement for CWS to \$350,000 for both water and wastewater operations
7 according to the requirements of S.C. Code Ann. Section 58-5-720.

8 **Q. PLEASE EXPLAIN THE ORS TEST YEAR REVENUE ADJUSTMENTS**
9 **FOR WATER AND SEWER.**

10 A. ORS completed a thorough review of CWS's customer water consumption and
11 base facility charge ("BFC") revenue calculations for the test year. An
12 adjustment to service revenue is required to record the accurate amount of water
13 and wastewater revenues generated by CWS and recorded in its books and
14 records. Service revenues for water operations are adjusted from \$1,820,651 to
15 \$1,836,269 to record an increase in water revenues of \$15,618. Service revenues
16 for wastewater operations are adjusted from \$3,760,081 to \$3,774,328 to record
17 an increase in wastewater revenues of \$14,247. These adjustments are a
18 negligible change to revenue and will have little or no impact on the overall
19 revenue requirement of CWS. Ms. Sharon Scott discusses specific service
20 revenue and expense adjustments to normalize the test year in her testimony.
21 CWS bills all customers in accordance with the rate structure approved by this
22 Commission.

1 ORS proposes no adjustment to CWS's Miscellaneous Revenues or Uncollectible
2 Accounts. CWS currently has an uncollectible percentage of 0.7% which ORS
3 finds to be acceptable.

4 **Q. PLEASE EXPLAIN EXHIBIT DMH-5 OF YOUR REPORT.**

5 A. Exhibit DMH-5 provides an overview of the CWS proposed rates and their impact
6 on water and wastewater revenues. ORS used consumption data provided by
7 CWS and verified during the audit for all calculations. In addition, ORS used
8 CWS's current and proposed rates as reflected in the Application for these
9 calculations. ORS did not factor customer growth into these comparisons;
10 however, Ms. Sharon Scott provides testimony regarding the ORS customer
11 growth calculation. In summary, ORS calculated CWS's test year service
12 revenue for water operations, as adjusted, of \$1,836,269. ORS calculated CWS's
13 test year service revenue for wastewater operations, as adjusted, of \$3,774,328.
14 ORS calculated test year revenues for combined operations, as adjusted, of
15 \$5,610,597. For comparison purposes, ORS calculated CWS's proposed water
16 service revenues, as adjusted, of \$1,883,454. ORS calculated CWS's proposed
17 wastewater service revenues, as adjusted, of \$5,260,125. At CWS's proposed
18 rates, combined operations revenue, as adjusted, would total \$7,143,579.

19 **Q. PLEASE EXPLAIN EXHIBIT DMH-6 OF YOUR REPORT.**

20 A. Exhibit DMH-6 is a summary of the current PSC approved rates for CWS and
21 CWS's proposed rates.

1 **Q. DO YOU HAVE ANY COMMENTS REGARDING CWS'S REQUEST TO**
2 **MODIFY TERMS AND CONDITIONS RELATING TO TENANT**
3 **BILLING?**

4 A. ORS supports the CWS proposed modification in terms and conditions listed in
5 their proposed tariff. This change is required to ensure compliance with S.C.
6 Code Ann. § 27-33-50 (Supp 2004).

7 **Q. DO YOU HAVE ANY COMMENTS REGARDING CWS'S REQUEST TO**
8 **ADD TERMS AND CONDITIONS RELATING TO CROSS-**
9 **CONNECTION TESTING?**

10 A. ORS supports CWS's proposed addition of language requiring its water
11 customers to conduct cross connection testing pursuant to 24A S.C. Code Ann.
12 Regs. R. 61-58.7.F.8.

13 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

14 A. Yes it does.

DIRECT EXHIBITS

OF

DAWN M. HIPPI

**DOCKET NO. 2004-357-W/S
APPLICATION OF
CAROLINA WATER SERVICE, INC.
FOR ADJUSTMENT OF
RATES AND CHARGES**

REPORT OF THE WATER/WASTEWATER DEPARTMENT

THE OFFICE OF REGULATORY STAFF

DOCKET NO. 2004-357-WS

CAROLINA WATER SERVICE, INC.

DAWN M. HIPPIE TESTIMONY

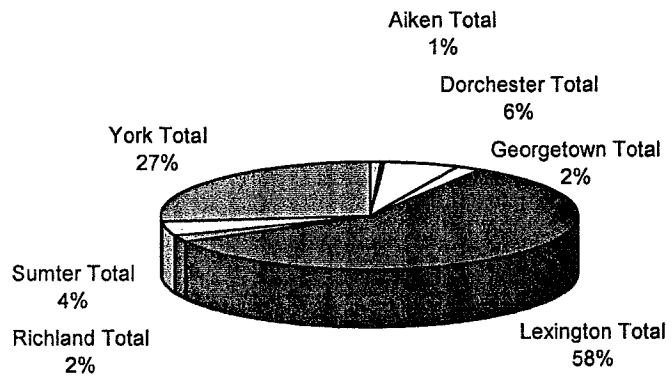
EXHIBIT INDEX

<u>EXHIBIT NO.</u>	<u>EXHIBIT TYPE</u>	<u>PREPARED BY</u>
DMH-1	Overview of CWS Customers	ORS
DMH-2	Business Office Compliance Review	ORS
DMH-3	Performance Bond Requirement	ORS
DMH-4	CWS Irrevocable Letter of Credit	CWS
DMH-5	Service Revenue Impact	ORS
DMH-6	Summary of Proposed Rates	ORS

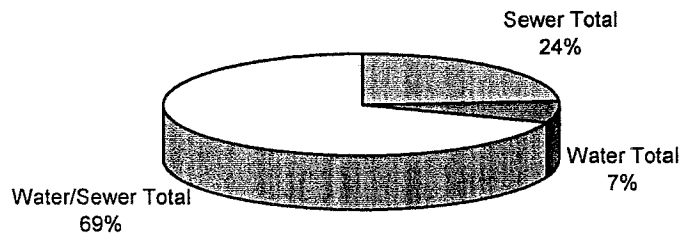
CAROLINA WATER SERVICE, INC.
2004-357-WS
CUSTOMER OVERVIEW

EXHIBIT DMH-1

CWS Customer Overview by County
Test Year ending 06/30/2004



CWS Customer Overview by Service Type
Test Year ending 06/30/2004



REVIEW OF WATER AND WASTEWATER SERVICES
CAROLINA WATER SERVICE, INC.
DOCKET: 2004-357-WS

On March 14 through March 16, 2005, personnel from the Office of Regulatory Staff (“ORS”) of South Carolina performed a Business Compliance audit of the revenue, customer complaint, and customer deposit records of Carolina Water Service, Inc. (“CWS”) in preparation for this rate case. CWS currently provides water, water distribution, wastewater collection and treatment services to commercial and residential customers in Aiken, Beaufort, Charleston, Dorchester, Georgetown, Lexington, Orangeburg, Richland, Sumter, Williamsburg and York counties of South Carolina. As of March, 2005, CWS provides water services to 6,011 customers and wastewater services to 10,121 customers.

The ORS Consumer Services Department received 18 consumer complaints regarding CWS during the test year for service and billing concerns. Since the Notice of Filing was mailed to CWS’s customers, the Public Service Commission has received two Petitions to Intervene and 55 Letters of Protest.

ORS determined CWS provides adequate water provision/distribution and wastewater collection services and is operating its wastewater treatment facilities in compliance with all DHEC rules, regulations and consent orders.

The following 2 pages provide a summary of the ORS Business Compliance Audit results.



ORS BUSINESS OFFICE COMPLIANCE REVIEW

Utility: Carolina Water Service, Inc.
Inspector: Dawn Hipp
Office: 2335 Saunders Road, Northbrook, IL 60062
Utility Type: Wastewater/Water Utility
Date: 03/14-03/16/2005
Company Representative: Steve Lubertozi, Kirsten Weeks

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
1	All records and reports available for examination in accordance with R.103-510 and R. 103-710.	X		
2	Complaint records maintained in accordance with R.103-516 and R. 103-716.	X		All customer complaints are input into CWS databases which tracks service orders, complaint types and related resolutions.
3	Utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with R.103-530 and R.103-730.	X		
4	Established procedures to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with R.103-530 and R. 103-730.	X		CWS produced literature for new customers provide adequate reference to PSC jurisdiction.
5	Deposits charged within the limits established by R.103-531 and R. 103-731.	X		Deposits are charged and receipted in compliance. CWS automated billing system credits deposits w/ interest at appropriate intervals. Accrued deposits remain in separate account from other revenues. Interest is reflected at proper rate authorized by PSC.
6	Timely and accurate bills being rendered to customers in accordance with R.103-532 and R.103-732.	X		Invoices issued in staggered billing cycles approximately 10 days after meters are read. CWS bills in arrears.
7	Bill forms in accordance with R.103-532 and R.103-732.	X		Bill form is clear with adequate after-hours emergency contact information.

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
8	Adjustments of bills handled in accordance with R.103-533 and 103-733.	X		Invoice adjustments are compliant with R.103-533 and 103-733.
9	Policy for customer denial or discontinuance of service in accordance with R.103-535 and 103-735.	X		Deferred payment plan and payment extension agreement available to all customers and are compliant.
10	Notices sent to customers prior to termination in accordance with Rule R.103-535 and 103-735.	X		Proper notice procedure is followed. Disconnect notices are received by ORS monthly.
11	Notices filed with the Commission of any violation of PSC or DHEC rules which affect service provided to its customers in accordance with rule R.103-514-C and 103-714-C.		X	DHEC notices of violation or consent order copies are not being filed as required with the PSC or with ORS.
12	Utility has adequate means (telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in case of emergency or unscheduled interruptions or service in accordance with R.103-530 and 103-730.	X		
13	Records maintained of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with R.103-514 and 103-714.	X		
14	Utility advised the Commission, in accordance with Rule 103-512 of the name, title, address and telephone number of the person who should be contacted in connection with general management duties, customer relations, engineering operations, emergencies during non-office hours.	X		Authorized Utility Representative Form completed 03/02/05.
15	Company verified the maps on file with the Commission include all the service area of the company.	X		
16	Number of customers the company has at present time.	NA	NA	As of 03/31/2005, CWS provides water service to 6,011 customers and sewer service to 10,121 customers
17	Company has a current performance bond on file with the Commission. Amount of bond: \$50,000.00		X	CWS currently has a \$50,000 irrevocable letter of credit (ILC) on file with the PSC dated 12/20/2004. The stated bond amount of \$50,000 for water and \$50,000 for sewer is insufficient per R.103-512 and 103-712.

CAROLINA WATER SERVICE, INC.
2004-357-WS
PERFORMANCE BOND REQUIREMENT
FOR THE TEST YEAR ENDING JUNE 30, 2004

EXHIBIT DMH-3

Carolina Water Service, Inc. - Water			
Bond Value Components	Per Books	As Adjusted	CWS Proposed Increase
O & M Expense	\$658,476.00	\$693,135.00	\$693,135.00
G & A Expense	\$381,477.00	\$336,726.00	\$336,726.00
Taxes	\$155,787.00	\$249,399.00	\$251,340.00
Income Tax	-\$37,591.00	\$0.00	\$167,318.00
Debt Service/Interest Expense	\$219,188.00	\$169,619.00	\$169,619.00
Bond Value Requirement	\$1,377,337.00	\$1,448,879.00	\$1,618,138.00
Carolina Water Service, Inc. - Sewer			
Bond Value Components	Per Books	As Adjusted	CWS Proposed Increase
O & M Expense	\$2,387,714.00	\$2,446,829.00	\$2,446,829.00
G & A Expense	\$650,657.00	\$574,328.00	\$574,328.00
Taxes	\$308,750.00	\$483,016.00	\$500,561.00
Income Tax	-\$79,992.00	\$0.00	\$457,236.00
Debt Service/Interest Expense	\$516,240.00	\$467,260.00	\$516,240.00
Bond Value Requirement	\$3,783,369.00	\$3,971,433.00	\$4,495,194.00
Carolina Water Service, Inc. - Combined Operations			
Bond Value Components	Per Books	As Adjusted	CWS Proposed Increase
O & M Expense	\$3,046,190.00	\$3,139,964.00	\$3,139,964.00
G & A Expense	\$1,032,134.00	\$911,054.00	\$911,054.00
Taxes	\$464,537.00	\$732,415.00	\$751,901.00
Income Tax	-\$117,583.00	\$0.00	\$624,554.00
Debt Service/Interest Expense	\$735,428.00	\$636,879.00	\$685,859.00
Bond Value Requirement	\$5,160,706.00	\$5,420,312.00	\$6,113,332.00
Current Performance Bond Structure (1)	Bond Value	Expiration Date	
Bank of America Irrevocable Letter of Credit (7120232)	\$50,000.00	12/31/05	
Total Financial Assurance	\$50,000.00		

(1) As reported in Irrevocable Letter of Credit dated 12/20/04 filed with PSC on 12/28/05.

PAGE: 1

DATE: DECEMBER 20, 2004

AMENDMENT TO IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER: 7120232
APPLICANT REFERENCE NUMBER: 8637213

AMENDMENT NUMBER 5

BENEFICIARY
STATE OF SOUTH CAROLINA
THE PUBLIC SERVICE COMMISSION
P.O. DRAWER 11649
COLUMBIA, S.C. 20211

APPLICANT
CAROLINA WATER SERVICE, INC.
1905 SUNSET BLVD.
SUITE 103
WEST COLUMBIA, SC 29169

THIS AMENDMENT IS TO BE CONSIDERED AN INTEGRAL PART OF THE ABOVE CREDIT
AND MUST BE ATTACHED THERETO.

THE ABOVE MENTIONED CREDIT IS AMENDED AS FOLLOWS:

THE EXPIRATION DATE IS AMENDED TO: DECEMBER 31, 2005.

IT IS NOW A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE
AUTOMATICALLY EXTENDED WITHOUT WRITTEN AMENDMENT FOR SUCCESSIVE ADDITIONAL
ONE (01) YEAR PERIODS FROM THE CURRENT OR ANY FUTURE EXTENDED EXPIRY DATE,
UNLESS AT LEAST THIRTY (30) DAYS PRIOR TO ANY SUCH DATE OF EXPIRATION, WE
SHALL GIVE WRITTEN NOTICE TO BENEFICIARY BY REGISTERED OR CERTIFIED MAIL,
RETURN RECEIPT REQUESTED, OR OVERNIGHT COURIER, AT THE ADDRESS SET FORTH
ABOVE OR SUCH AMENDED ADDRESS OF WHICH PRIOR WRITTEN NOTICE HAS BEEN
PROVIDED TO US THEREOF, THAT WE ELECT NOT TO RENEW THIS IRREVOCABLE
STANDBY LETTER OF CREDIT FOR SUCH AN ADDITIONAL PERIOD.

UPON RECEIPT OF SUCH NOTICE, YOU MAY DRAW HEREUNDER, TO COVER EXISTING
CONTRACTS BETWEEN APPLICANT AND BENEFICIARY, ON, OR PRIOR TO, THE THEN
RELEVANT EXPIRATION DATE, UP TO THE FULL AMOUNT THEN AVAILABLE HEREUNDER,
BY YOUR DRAFT ACCOMPANIED BY YOUR CERTIFICATION THAT SUMS CLAIMED ARE TO
BE HELD AS A CASH BOND TO SATISFY OBLIGATIONS OF CAROLINA WATER SERVICE,
INC. UNDER CONTRACT AGREEMENTS WITH THE STATE OF SOUTH CAROLINA AND THAT
SUMS NOT USED TO SATISFY SUCH OBLIGATIONS SHALL BE RETURNED DIRECTLY TO
CAROLINA WATER SERVICE, INC.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

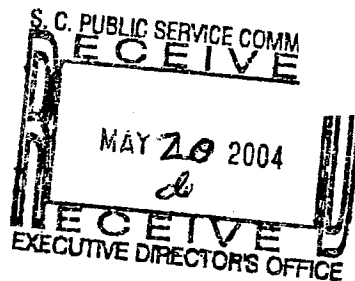
IF YOU REQUIRE ANY ASSISTANCE OR HAVE ANY QUESTIONS REGARDING THIS
AMENDMENT, PLEASE CALL 312-923-5949.


AUTHORIZED SIGNATURE

THIS DOCUMENT CONSISTS OF 1 PAGE(S).

Gregory A. Crow

SC PUBLIC SERVICE
COMMISSION
2004 DEC 28 AM 11:27



PAGE: 1

DATE: MAY 17, 2004

AMENDMENT TO IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER: 7120232
APPLICANT REFERENCE NUMBER: 8637213

AMENDMENT NUMBER 4

BENEFICIARY
STATE OF SOUTH CAROLINA
THE PUBLIC SERVICE COMMISSION
P.O. DRAWER 11649
COLUMBIA, S.C. 20211

APPLICANT
CAROLINA WATER SERVICE, INC.
1905 SUNSET BLVD.
SUITE 103
WEST COLUMBIA, SC 29169

THIS AMENDMENT IS TO BE CONSIDERED AN INTEGRAL PART OF THE ABOVE CREDIT
AND MUST BE ATTACHED THERETO.

THE ABOVE MENTIONED CREDIT IS AMENDED AS FOLLOWS:

THE EXPIRATION DATE IS AMENDED TO: DECEMBER 31, 2004.

PLEASE NOTE THIS EXTENSION IS A ONE TIME EXTENSION ONLY. ANY FUTURE
EXTENSIONS TO THE EXPIRATION DATE OF THIS LETTER OF CREDIT WILL COME VIA
OUR NORMAL AMENDMENT PROCESS.

THE FINAL EXPIRY OF THIS LETTER OF CREDIT IS NOW DECEMBER 31, 2004.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

IF YOU REQUIRE ANY ASSISTANCE OR HAVE ANY QUESTIONS REGARDING THIS
AMENDMENT, PLEASE CALL 312-923-5949.

AUTHORIZED SIGNATURE

Roberto Salazar

AUTHORIZED SIGNATURE

Gregory A. Crow

THIS DOCUMENT CONSISTS OF 1 PAGE(S).



Continental Bank^{NA}

CABLE ADDRESS: Conil Bank Telex 02-5233 • SWIFT ADDRESS: CNTLUS44 • TELEFAX NUMBER: 987-6828

PAGE: 1

DATE: NOVEMBER 20, 1992

AMENDMENT TO IRREVOCABLE STANDBY CREDIT NUMBER: C7120232
APPLICANT REFERENCE NUMBER: 8637213

AMENDMENT NUMBER 1

BENEFICIARY
STATE OF SOUTH CAROLINA
THE PUBLIC SERVICE COMMISSION
P.O. DRAWER 11649
COLUMBIA, S.C. 20211

APPLICANT
CAROLINA WATER SERVICE, INC.
1905 SUNSET BLVD.
SUITE 103
WEST COLUMBIA, SC 29169

THIS AMENDMENT IS TO BE CONSIDERED AN INTEGRAL PART OF THE ABOVE CREDIT AND MUST BE ATTACHED THERETO.

THE ABOVE MENTIONED CREDIT IS AMENDED AS FOLLOWS:

THE AMOUNT OF THIS CREDIT HAS BEEN INCREASED BY USD 50,000.00
THE AVAILABLE AMOUNT OF THE CREDIT IS NOW USD 100,000.00

THE DATE OF EXPIRY IS AMENDED TO: DECEMBER 31, 1993.
THIS LETTER OF CREDIT IS AVAILABLE UPON PRESENTATION OF THE FOLLOWING DOCUMENTS:

DRAFT AT SIGHT DRAWN ON US "MARKED DRAWN UNDER CONTINENTAL BANK N.A.,
LETTER OF CREDIT NO. C7120232".

A CERTIFIED ORDER OF THE PUBLIC COMMISSION OF SOUTH CAROLINA APPROVING
DRAFT DRAWN UNDER THIS LETTER OF CREDIT. SAID ORDER SHALL STATE THAT THE
DRAFT IS MADE PURSUANT TO THE INTENTIONS OF THE REQUIREMENTS IN RULE RUW
203.3 AND/OR RUS 203.3 OF THE RULES AND REGULATIONS GOVERNING SERVICE
SUPPLIED BY WATER AND SEWERAGE UTILITIES IN SOUTH CAROLINA.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

IF YOU REQUIRE ANY ASSISTANCE OR HAVE ANY QUESTIONS REGARDING THIS
AMENDMENT, PLEASE CALL 312-923-5924.

CONTINENTAL BANK, NATIONAL ASSOCIATION

J. Arnes 02043

FOR CASHIER

Quell M. Miller

FOR CASHIER

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44402

PAGE: 1

DATE: DECEMBER 28, 1998

AMENDMENT TO IRREVOCABLE STANDBY CREDIT NUMBER: 7120232
APPLICANT REFERENCE NUMBER: 8637213

AMENDMENT NUMBER 2

BENEFICIARY
STATE OF SOUTH CAROLINA
THE PUBLIC SERVICE COMMISSION
P.O. DRAWER 11649
COLUMBIA, S.C. 20211

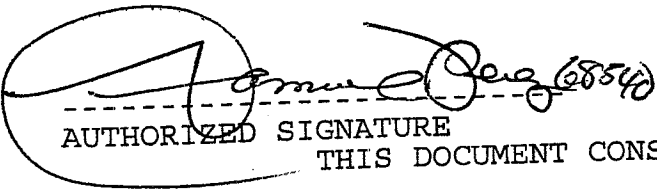
APPLICANT
CAROLINA WATER SERVICE, INC.
1905 SUNSET BLVD.
SUITE 103
WEST COLUMBIA, SC 29169

THIS AMENDMENT IS TO BE CONSIDERED AN INTEGRAL PART OF THE ABOVE CREDIT
AND MUST BE ATTACHED THERETO.

THE ABOVE MENTIONED CREDIT IS AMENDED AS FOLLOWS:

THE EXPIRATION DATE IS AMENDED TO: DECEMBER 31, 1999.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.



AUTHORIZED SIGNATURE



AUTHORIZED SIGNATURE

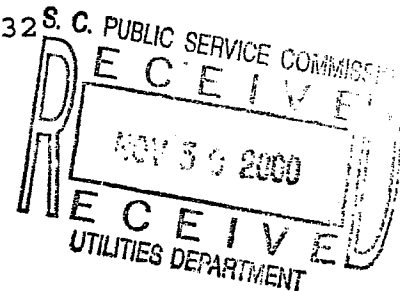
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PAGE: 1

DATE: NOVEMBER 27, 2000

AMENDMENT TO IRREVOCABLE STANDBY CREDIT NUMBER: 7120232
APPLICANT REFERENCE NUMBER: 8637213

AMENDMENT NUMBER 3



BENEFICIARY
STATE OF SOUTH CAROLINA
THE PUBLIC SERVICE COMMISSION
P.O. DRAWER 11649
COLUMBIA, S.C. 20211

APPLICANT
CAROLINA WATER SERVICE, INC.
1905 SUNSET BLVD.
SUITE 103
WEST COLUMBIA, SC 29169

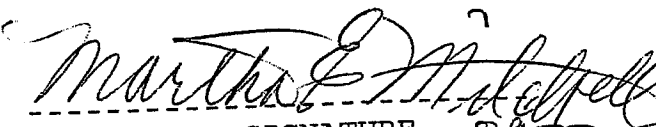
THIS AMENDMENT IS TO BE CONSIDERED AN INTEGRAL PART OF THE ABOVE CREDIT
AND MUST BE ATTACHED THERETO.


THE ABOVE MENTIONED CREDIT IS AMENDED AS FOLLOWS:

THE EXPIRATION DATE IS AMENDED TO: DECEMBER 31, 2001.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

IF YOU REQUIRE ANY ASSISTANCE OR HAVE ANY QUESTIONS REGARDING THIS
AMENDMENT, PLEASE CALL 312-923-5918.


AUTHORIZED SIGNATURE


AUTHORIZED SIGNATURE

THIS DOCUMENT CONSISTS OF 1 PAGE(S).

CONTINENTAL BANK

CONTINENTAL ILLINOIS NATIONAL BANK AND TR. COMPANY OF CHICAGO
231 SOUTH LA SALLE STREET, CHICAGO, ILLINOIS 60693
CABLE ADDRESS - CONILL BANK TELEX 02-5233

EXHIBIT DMH-4
PAGE 6 OF 6

L BANKING DEPARTMENT

ORIGINAL

DATE 10-29-76

7

DOCUMENTARY CREDIT - IRREVOCABLE

ADVISING BANK

8637213

APPLICANT

Carolina Water Service, Inc.
1905 Sunset Blvd. Suite 103
West Columbia, SC 29169

BENEFICIARY

State of South Carolina
The Public Service Commission
P.O. Drawer 11649
Columbia, S.C. 29211

AMOUNT

Fifty Thousand \$50,000.00
and 00/100 U.S.
Dollars

EXPIRY

11-30-77 November Thirtieth, 1977
Columbia for negotiation

Dear Sir(s),

We hereby establish in your favor our Irrevocable Letter of Credit No. 8637213 which is available for negotiation of your draft at sight, drawn on Continental Illinois National Bank and Trust Company of Chicago, Chicago, Illinois, bearing the clause: "Drawn under Continental Illinois National Bank and Trust Company of Chicago, Chicago, their Credit No. 8637213" and accompanied by

(A certified order of the South Carolina Public Service Commission approving draft drawn under this Letter of Credit.

This Letter of Credit may be extended at the request of the accountee for additional period(s) to cover contract existing between applicant and beneficiary. However, such extension will be effected only if and when we have advised you, thereof, by means of our customary amendment advice.

It is a further condition of this Letter of Credit that if we elect not to extend it for an additional period 30 days prior to the present expiration date or any subsequent expiration date, to cover existing contracts between applicant and beneficiary, you may draw on us up to the full balance by your draft accompanied by your certification that sums claimed are to be held as a cash bond to satisfy obligations of Carolina Water Service, Inc. under contract agreements with the state of South Carolina and that sums not used to satisfy such obligations shall be returned directly to Carolina Water Service, Inc.

ADVISING BANK'S NOTIFICATION

We hereby engage with drawers and/or bonafide holders that drafts drawn and negotiated in conformity with the terms of this credit will be duly honored on presentation and that drafts accepted within the terms of this credit will be duly honored at maturity.
The amount of each draft must be endorsed on the reverse of this credit by the negotiating bank.

Yours faithfully,

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

For Cashier

- 1.
- 2.
- 3.
- 4.

Except so far as otherwise expressly stated, this documentary credit is subject to the "Uniform Customs and Practice for Documentary Credits" (1962 Revision) International Chamber of Commerce (Brochure No. 222). This form conforms with Standard Form No. 1A of the ICC.

CAROLINA WATER SERVICE, INC.
2004-357-WS
SERVICE REVENUE IMPACT
FOR THE TEST YEAR ENDING JUNE 30, 2004

EXHIBIT DMH-5

Test Year Revenue Overview

Customer Classification	Consumption in Gallons	Usage Charge	Units	Base Facility Charge (BFC)	Test Year Calculated Revenues (1)
Water Service	100,447,040	\$3.24	16,727	\$10.00	\$492,721.21
Water Service	14,950	\$3.24	12	\$25.00	\$348.44
Water Service	330,250,842	\$1.85	61,691	\$10.00	\$1,227,877.36
Water Service	4,958,226	\$1.85	207	\$25.00	\$14,347.72
Water Service	5,666,700	\$1.85	125	\$50.00	\$16,733.40
Water Service	21,055,560	\$1.85	308	\$80.00	\$63,592.79
Water Service	5,972,100	\$1.85	60	\$160.00	\$20,648.39
Water Service Total	468,365,418		79,131		\$1,836,269.29
Sewer Service	0.00	\$0.00	50,638	\$30.33	\$1,535,851.45
Sewer Service	0.00	\$0.00	37,564	\$19.38	\$727,990.90
Sewer Service	0.00	\$0.00	4,944	\$11.00	\$54,384.00
Sewer Service	0.00	\$0.00	49,528	\$28.86	\$1,429,385.30
Sewer Service	0.00	\$0.00	1,235	\$21.64	\$26,715.88
Sewer Service Total			143,909		\$3,774,327.52
Combined Operations	468,365,418		223,039		\$5,610,596.81

Proposed Revenue Overview

Customer Classification	Consumption in Gallons (2)	Usage Charge	Units (2)	Base Facility Charge (BFC)	Proposed Calculated Revenues	Increase Amount	% Increase
Water Service	100,447,040	\$3.32	16,727	\$10.25	\$504,938.79	\$12,217.58	2.48%
Water Service	14,950	\$3.32	12	\$25.62	\$357.07	\$8.64	2.48%
Water Service	330,250,842	\$1.90	61,691	\$10.25	\$1,259,812.73	\$31,935.37	2.60%
Water Service	4,958,226	\$1.90	207	\$25.62	\$14,723.97	\$376.25	2.62%
Water Service	5,666,700	\$1.90	125	\$51.25	\$17,172.98	\$439.58	2.63%
Water Service	21,055,560	\$1.90	308	\$82.00	\$65,261.56	\$1,668.78	2.62%
Water Service	5,972,100	\$1.90	60	\$164.00	\$21,186.99	\$538.60	2.61%
Water Service Total	468,365,418		79,131		\$1,883,454.10	\$47,184.81	
Sewer Service	0.00	\$0.00	50,638	\$40.92	\$2,072,108.19	\$536,256.74	34.92%
Sewer Service	0.00	\$0.00	37,564	\$26.15	\$982,299.38	\$254,308.48	34.93%
Sewer Service	0.00	\$0.00	4,944	\$29.68	\$146,737.92	\$92,353.92	169.82%
Sewer Service	0.00	\$0.00	49,528	\$40.92	\$2,026,695.99	\$597,310.70	41.79%
Sewer Service	0.00	\$0.00	1,235	\$26.15	\$32,283.74	\$5,567.87	20.84%
Sewer Service Total			143,909		\$5,260,125.23	\$1,485,797.70	
Combined Operations	468,365,418		302,170		\$7,143,579.33	\$1,532,982.51	

Calculation Methodology:

- (1) Test Year Revenues include Service Revenue Adjustments made by ORS.
- (2) Consumption and Units reflected as reported during test year. Growth factor not included for comparison purposes.
- (3) Customer Late Fees, Tap Fees, Reconnection Fees, Set-up Fees, Deposits and Interest on Deposits are not included in any of the above computations.

Carolina Water Service, Inc.
2004-357-WS
Effect of Proposed Rates on Customers Invoice

EXHIBIT DMH-6

Service Type	Customer Classification	Description	Unit of Measure	Present Charge	Proposed Charge	Proposed Increase Amount	% Increase
Water	Residential	Single Family home, condo, mobile home or apartment unit	Per Unit	\$10.00	\$10.25	\$0.25	2.50%
Water	Residential	Single Family home, condo, mobile home or apartment unit	Per Unit	\$10.00	\$10.25	\$0.25	2.50%
Water	Commercial	5/8" Meter	Per 1,000 gallons	\$3.24	\$3.32	\$0.08	2.47%
Water	Commercial	1" Meter	Per Unit	\$10.00	\$10.25	\$0.25	2.50%
Water	Commercial	1.5" Meter	Per Unit	\$25.00	\$25.62	\$0.62	2.48%
Water	Commercial	2" Meter	Per Unit	\$50.00	\$51.25	\$1.25	2.50%
Water	Commercial	3" Meter	Per Unit	\$80.00	\$82.00	\$2.00	2.50%
Water	Commercial	4" Meter	Per Unit	\$160.00	\$164.00	\$4.00	2.50%
Water	Commercial	Commodity Charge for all meter sizes	Per 1,000 gallons	\$250.00	\$256.25	\$6.25	2.50%
Water Distribution	Residential	Single Family home, condo, mobile home or apartment unit	Per Unit	\$3.24	\$3.32	\$0.08	2.47%
Water Distribution	Residential	Single Family home, condo, mobile home or apartment unit	Per Unit	\$10.00	\$10.25	\$0.25	2.50%
Water Distribution	Commercial	5/8" Meter	Per 1,000 gallons	\$1.85	\$1.90	\$0.05	2.70%
Water Distribution	Commercial	1" Meter	Per Unit	\$10.00	\$10.25	\$0.25	2.50%
Water Distribution	Commercial	1.5" Meter	Per Unit	\$25.00	\$25.62	\$0.62	2.48%
Water Distribution	Commercial	2" Meter	Per Unit	\$50.00	\$51.25	\$1.25	2.50%
Water Distribution	Commercial	3" Meter	Per Unit	\$80.00	\$82.00	\$2.00	2.50%
Water Distribution	Commercial	4" Meter	Per Unit	\$160.00	\$164.00	\$4.00	2.50%
Water Distribution	Commercial	Commodity Charge for all meter sizes	Per 1,000 gallons	\$250.00	\$256.25	\$6.25	2.50%
Nonrecurring Charges	Residential/Commercial	Water Service Connection	Per SFE	\$1.85	\$1.90	\$0.05	2.70%
Nonrecurring Charges	Residential/Commercial	Plant Impact Fee	Per SFE	\$300.00	\$300.00	\$0.00	0.00%
Nonrecurring Charges	Residential/Commercial	Account Set-up Fee	Per SFE	\$400.00	\$400.00	\$0.00	0.00%
Nonrecurring Charges	Residential/Commercial	Reconnection	Per Customer	\$13.50	\$13.50	\$0.00	0.00%
Sewer	Residential	Single Family home, condo, villa or apartment unit	Per Occurance	\$35.00	\$35.00	\$0.00	0.00%
Sewer	Residential	Mobile Home	Per Unit	\$30.33	\$40.92	\$10.59	34.92%
Sewer	Commercial	Hotels, stores, restaurants, office, industrial	Per SFE*	\$22.75	\$29.20	\$6.45	28.35%
Sewer: Service Areas Lincolnshire, I-20, Watergate, Kings Grant, Teal-on-the-Ashley	Residential	Single Family home, condo, villa or apartment unit	Per SFE*	\$30.33	\$40.92	\$10.59	34.92%
Sewer: Service Areas Lincolnshire, I-20, Watergate, Kings Grant, Teal-on-the-Ashley	Residential	Mobile Home	Per Unit	\$28.86	\$40.92	\$12.06	41.79%
Sewer: Service Areas Lincolnshire, I-20, Watergate, Kings Grant, Teal-on-the-Ashley	Commercial	Hotels, stores, restaurants, office, industrial	Per SFE*	\$21.64	\$29.20	\$7.56	34.94%
Sewer Collection	Residential	Single Family home, condo, villa or apartment unit	Per SFE*	\$28.86	\$40.92	\$12.06	41.79%
Sewer Collection	Residential	Mobile Home	Per Unit	\$19.38	\$26.15	\$6.77	34.93%
Sewer Collection	Commercial	Hotels, stores, restaurants, office, industrial	Per SFE*	\$19.38	\$26.15	\$6.77	34.93%
Sewer Treatment	Residential	Single Family home, condo, villa or apartment unit	Per Unit	\$19.38	\$26.15	\$6.77	34.93%
Sewer Treatment	Residential	Mobile Home	Per Unit	Pass-Thru from treatment provider on pro-rata basis with no mark-up	Pass-Thru from treatment provider on pro-rata basis with no mark-up	Varied	Varied
Sewer Treatment	Commercial	Hotels, stores, restaurants, office, industrial	Per SFE*	Pass-Thru from treatment provider on pro-rata basis with no mark-up	Pass-Thru from treatment provider on pro-rata basis with no mark-up	Varied	Varied
Nonrecurring Charges	Residential/Commercial	Pumping Charge for Solids Interceptor Tanks	Per SFE*	Pass-Thru from treatment provider on pro-rata basis with no mark-up	Pass-Thru from treatment provider on pro-rata basis with no mark-up	Varied	Varied
Nonrecurring Charges	Residential/Commercial	Sewer Service Connection	Per Occurance	\$150.00	\$150.00	\$0.00	0.00%
Nonrecurring Charges	Residential/Commercial	Plant Impact Fee	Per SFE	\$300.00	\$300.00	\$0.00	0.00%
Nonrecurring Charges	Residential/Commercial	Account Set-up Fee	Per SFE	\$400.00	\$400.00	\$0.00	0.00%
Nonrecurring Charges	Residential/Commercial	Reconnection w/o elder valve	Per Customer	\$13.50	\$13.50	\$0.00	0.00%
Nonrecurring Charges	Residential/Commercial	Reconnection w/ elder valve	Per Occurance	\$250.00	\$250.00	\$0.00	0.00%
Nonrecurring Charges	Residential/Commercial	Notification fee for service disconnection	Per Occurance	\$35.00	\$35.00	\$0.00	0.00%
Notes:				\$4.00	\$4.00	\$0.00	0.00%

(1) SFE = Single Family Equivalent